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ESADE Business School
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"*Find a new segment for Jotun within protective and deco paints, and develop an entry strategy for that segment.*"

Jotun Ibérica

JOTUN

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This paper is done as a part of the undergraduate program at BI Norwegian Business School. This does not entail that BI Norwegian Business School has cleared the methods applied, the results presented, or the conclusions drawn.

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1. Summary

- In our study we have researched the possibilities for the paint company Jotun Ibérica to enter a new segment of B2B-consumers. The background for this choice is that Jotun Ibérica last year chose to enter a new segment with their One-Source Solution for customer relationship building - hotels with four or five stars *(see Company Presentation for explanation of the system)*. Now the company wants to expand this system with new clients who fulfill certain criteria. Of these criteria some have proven more important than others, especially environmental consciousness, location and size in terms of value. However, one criteria has stood out even more; price sensitivity and the relationship it has to the current economic situation in Spain. Hence; with the country being hit hard by the effects of the recession, our task has proven to be a very interesting and complex challenge.

- To accomplish our task we started researching secondary sources, but came to the conclusion that there was a lack of information on the subject of consumer behavior in the paint market. Therefore we have completed a series of qualitative interviews with industry experts and consumers within the possible segments.

- Through our research and several analyses we have come up with a twofold segment. We have also developed strategies connected to each of the micro segments, including generic-, segmentation- and positioning strategies. This lead us to a certain marketing mix, one for each of the micro segments chosen.

- The main factor of the micro segments is that they are privately owned hospitals. They have much of the same needs and wishes, but the background for these needs are different. While one of the micro segments has their location and the weather conditions to blame for their demand for duration and good coverage on paint, the other has environmental reasons for needing the same characteristics. In addition, the second micro segment demands that the paint is made from certain materials and chemicals that have been proven not to have a severe negative impact on the environment. The marketing mixes have been developed as a result of these findings.

2. Company Presentation

- Jotun is a Norwegian company group that was established in 1926. They are one of the worlds leading manufacturers of paint, coatings and powder coatings. The group has 70 companies and 38 production facilities on all continents. Jotun is represented in more than 80 countries (www.jotun.com, 2012).

- The company logo, their penguin, represents the values the company is built upon: loyalty, care, respect and courage.

- As a global company Jotun places great emphasis on cultural understanding. They manage this through organized cooperation across regions and divisions. They have a qualified technical team, which develops products using the most advanced technology, selecting environmentally friendly raw materials and whose life cycle ensures minimal impact on the generation of solid waste. Most of their products are qualified for the European ECO label (the flower).

- Jotun expanded to Spain in 1990 through acquisition. Jotun Ibérica is located in Barcelona, Cadiz and Las Palmas. In Barcelona they have a factory, sales offices and stock. In Cadiz and Las Palmas they have sales offices. Jotun Ibérica directs all its efforts to meet the needs of its customers by implementing a radical spirit of continuous improvement in all its activities.

- Jotun uses a “One-Source Solution” in their sales process towards business to business customers. This is an information storage system for customer data. It contains information about clients’ needs and the products they have previously bought. It helps the seller to keep track of and follow up the clients in an efficient way.

- Jotun Ibérica has a wide range of products:
  - Interior coatings
  - Exterior coatings
  - Wooden coatings
  - Enamels (esmaltes) coatings
  - Coatings for boats and ships
  - Painting equipment

3. Problem Definition

"Find a new segment for Jotun within protective and deco paints, and develop an entry strategy for that segment."

4. Problem Area and Limitations Definition

4.1. Limitations

- We have some limitations that we want to highlight, which might influence the results of our investigation. First and foremost this research is supposed to take all of Spain into account, but due to our timeframe and economy we will base our research on results found in Barcelona. As we are studying the B2B-market we hope to be able to draw conclusions for the country as a whole. This is based on the fact that many factors of consumer behavior have less impact in the B2B-market, for instance personal beliefs and also geographical distance.

- We also have a limited time frame and this might influence how much research we are able to do. If we are not able to implement as much research as we should this could have a significant effect on the reliability of our research.

4.2. Segment Criteria

- Our task is to find a possible segment for Jotun to enter. The segment has to fulfill certain criteria to be considered good enough as a target group. These criteria include:

  - Large surfaces, because it will be more economic and time-saving for Jotun to have big clients. When we say big clients, we mean big in terms of value. For the clients to be attractive to Jotun they should be in need of paint for at least 4000 euro annually.

  - They are also preferably in the need of out- and indoor paint since this will increase the amount of paint Jotun can sell to them. This will also lead to the possibility of Jotun to give a very complete and varied offer to the client.

  - On top of that it is important that the segment is not in a big risk of being affected by the economic fluctuations in the market.

5. Segments

- We, together with Jotun, have decided to focus on two segments schools and hospitals. Both of these segments seem attractive according to the criteria. However, we will investigate this further in our research.

5.1. Schools

- We have decided to focus on universities, both public and private. We want to see if there are any differences among private and public universities when in it comes to the different criteria. We have found that there are 65 universities in Spain and twelve of these are located in Catalunya. Of these twelve, there are seven public and five private ones (http://lem.eui.upm.es, 2012). Many of these universities are groups that consist of a range of schools. Universitat Ramon Llull, for instance, encompasses eleven different universities and one of these is ESADE. Like ESADE, most of these have more than one campus and perhaps also several buildings on each campus. On ESADE's website it says that the school has three different campuses in Spain, one in Sant Cugat (18 000 m²), one in Pedralbes (29 475 m²) and one in Madrid (3 000m²) (http://www.esade.edu/web/eng/about-esade/campus, 2012).

5.2. Hospitals

- As for the previous segment, we are also here going to research both public and private hospitals and see if they fulfill the criteria. According to Paginas Amarillas there are more than 1 266 hospitals in Spain and 904 of these are private. In Barcelona, where we are going to conduct our research, there are 138 hospitals and 47 of these are private, and the remaining 91 are public.

6. Introduction to the Paint Industry

- The paint industry in Spain is complex and contains many different product lines, producers and consumer segments. To limit our research we will concentrate on the B2B market between paint producers, distributors and consumers.

6.1. Main Figures

- The market size of the paint industry in Spain has been growing fast and reached 480 million euro in 2010. However, recent sales evolution has shown that the recession has been affecting the industry severely. According to numbers provided by Jotun total sales in the industry decreased with nine per cent in 2011 compared to the previous year.

6.2. Main Players

- In Spain there are hundreds of small producers and a few players with significant market shares. For Jotun we consider the ten biggest producers the most important competitors because of their market share. Most of these producers, including Jotun, have very similar product portfolios.

- Another important part of this market is the distributors, for instance the paint store or the painter. For many consumers they function as advisors regarding choice of paint and brand, something which gives them a lot of influence. It seems like consumers often make contact with the painter, not with the producer of the paint, and they are likely to choose the paint that the painter advises them to. Often the painters and paint stores already have agreements or relationships with producers and tend to recommend that specific producer to the consumers.

6.3. Main Trend

- According to an article in "Future of Business" the trend of being environmentally friendly is of growing importance in most industries, and the paint industry is no exception.

"For a more colorful world, we all need to be a little greener."

(http://www.jotun.com.vn/www/com/20020113.nsf?OpenDatabase&db=/www/com/20020119.nsf&v=3E7A&e=uk&c=0D24E947A42F4A7CC12578F4003DB42D, 2012).

- More and more consumers are focused on how the paint they use is affecting the environment and what they can do to help or counter the climate changes. Since most paint types contain chemicals that can have a negative impact on the environment, this can be a threat to the paint producers. This trend can lead to the use of substitutes that can seem greener to the consumer, for instance building houses out of steel and glass.

- Jotun's greatest contribution to the environment and society is, according to their website, that their premium coatings system is protecting property against decay and corrosion. Jotun has contributed to the environment for decades by offering high-quality products and solutions. They also use a lot of resources in developing product ranges for their customers that exceed the legal requirements. The company says that they do this because they recognize sustainability as a long-term competitive advantage.

- Jotun focuses on manufacturing procedures that focus on solid waste and energy reduction, recycling and the implementation of the ISO 14001 and OHSAS certification in their factories globally. They have a global R&D team that is constantly developing and innovating advanced coatings to help reduce harmful emissions (www.jotun.com, 2012). However, even though they are aware that their customers like to contribute to the environment, they are very concerned about not making compromise on high quality and durability.

7. Research Problem Development

- We have chosen two main topics that are important for us in order to find the solution to our problem definition. We feel that the most important topic is customer behavior. This is because we need to find the proper strategy, and to do that it is essential to know how the customers' buying process works. To cover this topic as well as possible we have chosen to use Kotler and Keller's "The Buying Decision Process: The Five-Stage Model". The second topic we have chosen to research is the competitiveness of the industry. This is because we need to find out how the paint market is and where Jotun is in the market. To cover this area we will use Porter's "Five Forces Theory". By using this model we will get an insight into potential entrants, the industry rivalry, how the buyer- and supplier powers are, as well as how strong the threat of substitutes is. We will through this analysis find out the level of competitiveness of the paint industry.

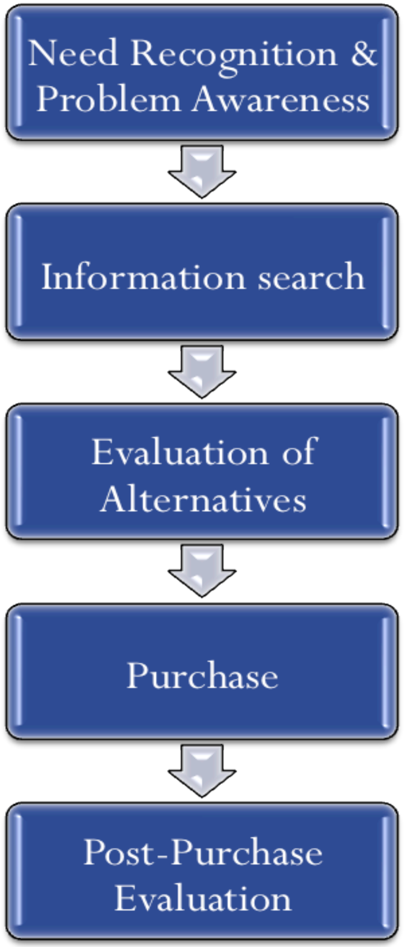
8. Models

8.1. The Buying Decision Process

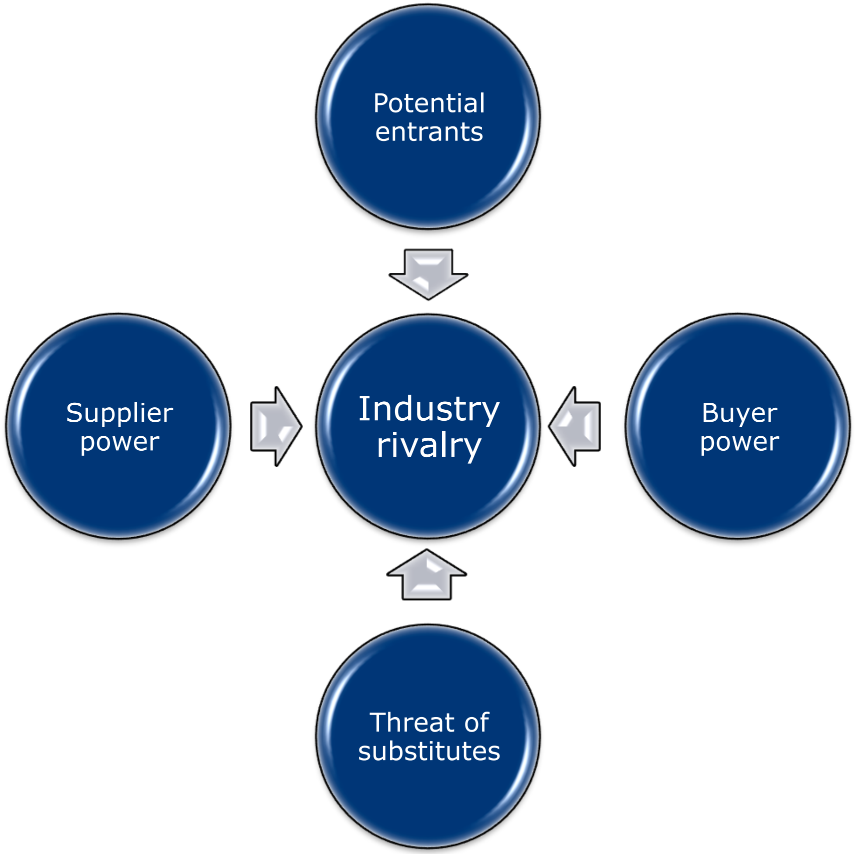
- We are using The Five-Stage Model (Kotler and Keller, 2009) to explain the buying decision process for the potential customers. This model is normally used to illustrate when consumers face more complex purchasing decisions. If it is a routine purchase the consumers would most likely skip one or more of the steps in The Five-Stage Model. The model contains five stages; 1. Problem recognition, 2. Information search, 3. Evaluation of alternatives, 4. Purchase decision and 5. Post purchase behavior.

- The first stage; problem recognition, is when you discover a need or a problem. The second stage is consumers searching for more information. The consumers are likely to first think about products or services they know, before searching for more information. At this point, it is an advantage for companies to be in the evoked set of consumers. Consumers can obtain information from several sources, like friends, family, Internet, advertising, etc. The third stage is when the consumers evaluate the alternatives. There are several ways to evaluate the alternatives, but the most common is to evaluate the alternatives according to some predetermined criteria. The fourth stage is the purchase decision; this is when the buying actually takes place. The fifth and the last stage is post-purchase behavior. This takes place after the product/service is purchased and is based on the consumers' own satisfaction. If the consumer is satisfied this increases the probability of repurchase.

The Buying Decision Process:
The Five-Stage Model



8.2. PORTER's Five Forces



8.2a. Industry Rivalry

- In Spain there are around 600 paint producers *(in attachment one you can see an overview of the top producers in Spain according to market share)*. The market shares are not very significant; even the biggest competitor only has a 13.3 per cent market share. We have calculated from attachment 2 that 33.3 per cent of the market share is divided among the paint producers that are too small to make the list. There are more or less 570 of these producers and they have a market share of only 0.1 per cent or less.

- We have chosen to look more closely at the six biggest producers to be able to compare them against each other and Jotun:

- Titanlux

  Titanlux has a market share of 13.3 per cent, which makes the company the market leader in Spain. Titanlux was founded in 1917 and is a national manufacturer and producer of paint. They have six production plants in Spain, one in Portugal and one in Morocco. Their product portfolio consists of paint, enamels, varnishes, powder coatings, colors for fine arts and handicrafts, environmentally friendly and ancillary products. Titanlux emphasizes being environmentally friendly. They have an own product range for environmentally friendly products called "*Eco-Friendly Paint*" and they have nine products that qualify for the European ECO-label (http://www.titanlux.es/titan.php, 2012).

- Akzo Nobel Coatings

  Akzo Nobel Coatings has a market share of 9.8 per cent, which makes the company the second biggest in Spain. It is a Dutch multinational company that was founded in 1969. They operate in more than 80 countries, have 19 business units and their headquarters are placed in Amsterdam. The company is a world leading producer of decorative paints and is one of the leading industrial companies worldwide. They expanded to Spain in 1986 and today they have eight production facilities in the country. Their product portfolio consists of decorative paint, performance coatings and specialty chemicals. They promote safety and good health and emphasize being environmentally friendly. They do not have their own retail stores (http://www.akzonobel.com/es/, 2012)

- Materis Paints

  Materis Paints has a market share of 5.6 per cent, which makes them the third biggest paint producer in Spain. Their 88 manufacturing plants in over 24 countries also make them the third biggest in Europe. Materis Paints is one of four business units owned by Materis. Materis is a French company that was founded in 1940 and today they have a worldwide presence. Some of the countries they operate in are France, Spain, Argentina, Switzerland and Morocco. The company has retail stores for some of their paint, but they also use distributors to reach their customers. They have a complete product portfolio, and offer a wide range of products to their customers (http://www.materis.com/index.php?page=peintures, 2012).

- Monto

  Monto is a Spanish company that was founded in 1961. They have a market share in Spain of 5.6 per cent that makes them, together with Materis Paints, the third biggest paint producer in Spain. Monto is environmentally friendly and has their own environmental product line of paint called "*Magnum Ecológico*". They also have their own retail shops throughout Spain where they sell their products. This product portfolio consists of matt and glossy coverings of interior walls, products for facades, interior and exterior paint for wood and metal, carpentry and coverings, primers, high performance one-component coverings and several other decorative coverings (http://www.montopinturas.com/Monto, 2012).

- Valentine

  Valentine has a market share of 3.8 per cent in the Spanish market. The company was founded in Spain but in 1999 it was acquired by a Portuguese company. The company has many operations in Spain, but works closely with other companies around the world. They are environmentally conscious and in 2003 they became the first company in the chemical industry in Spain to earn the Certificate of Integrated Management System, AENOR. They received this for their work on quality and environmental protection. Valentine also has retail shops in Spain and their product portfolio consists of facade paint, interior and exterior wall and floor paint, coverings for wood and metal, varnishes and lacquers, decoration paint and products against humidity (http://www.valentine.es/portalbv/portal/user/anon/page/svdcatproparedesext.psml?categoryOID=E9838080808580GC&contentid=&nl=es, 2012).

- Juno

  Juno is a Spanish company that was founded in 1927 and their market share in the Spanish market is 3.7 per cent. Today the company is a leader in paint system solutions and services for construction and industry. They also have their own retail shops around the country. Their product portfolio consists of; facade treatment and decoration, indoor decoration, enamels, paints and primers, varnish and diluents, junomatic tintometric system, pastes and filler and Miscallanea. The company is global and they are present in many countries around the world. Juno places great emphasize on being environmentally friendly and the company was the first in Spain to be awarded Environmental Certification (http://www.juno.es/ing/index.aspx, 2012).

- Evaluation of Threat

  We see after looking closer at the biggest producers that they all offer similar products as Jotun. We also see that four of the six biggest producers were founded in Spain, which shows tendencies to consumers favoring local companies. On the other hand, the second and third largest are both foreign companies that are doing well in the Spanish market. On the basis of this, we also see room for foreign companies in this industry. Because of the relatively small market shares and high number of producers in the market, in combination with the similarity of product portfolios, we see the threat as high.

- **Threat: High**

8.2b. Potential Entrants

- The start-up costs in this industry are relatively low; according to Jotun a 1 000 liters mixer-emulsifier costs around 10 000 euro and a dozer around 500 euro. With this mixer and dozer they are only able to produce a small quantum of paint. This makes the costs to get into this industry for small producers low, because they do not need a lot of equipment. We do not see these small entrants as a big threat to the main existing producers because of their small size, and most of them do not have the resources that are needed to be a serious threat.

- When/if these small producers get bigger, they will need more silos and mills to ensure quality repeatability, which means high investment costs. They will also need approvals to be allowed to handle big amounts of chemicals.

- Since there are so many producers in Spain and the biggest ones are very settled and have a strong and loyal customer base, it is very hard for a new entrant to obtain a significant market share and become a threat to the main existing producers.

- **Threat: low**

8.2c. Buyer Power

- The consumers have a huge amount of suppliers and different kinds of paint to choose between. The market knowledge about paint among Spanish citizens is rather low. Based on our research we have seen that only a few producers are in people's minds if you ask them about paint. Therefore we believe that consumers are likely to choose the products they have easiest access to. If they do not like that supplier they can easily change to another one instead.

- **Buyer power: high**

8.2d. Threat of Substitutes

- We have chosen to split substitutes for paint into two categories. The first category consists of new buildings being constructed. In this matter one has several alternatives when it comes to what material one uses in the construction. For the exterior it is possible to use for instance glass, stone or non-coating demanding products like plates of metal and other materials. These could also naturally be used for the interior, but more commonly used is tapestry and similar products.

- The second category deals with already existing buildings. These do not have the same option of using for instance glass for their facades. If they have used material that needs paint to begin with, it is very resource-demanding to replace this with non-painted materials.

- With both these categories in mind we consider the threat as medium. This is because we in the first category believe it is high since people in general are starting to think greener and when they think of paint they do not consider this to be a “green” alternative. They also have a lot of options to choose from in this category, while in the second category the alternatives are clearly limited. Therefore we consider the threat in the second category as low. With the goal of this research process being to find a new segment of buildings that already exist, we conclude that the threat of substitutes is low.

- **Threat of substitutes: low**

8.2e. Supplier Power

- According to information received from Jotun there are few suppliers of the chemicals needed to produce paint and there are strict laws around handling these kinds of chemicals. It is important to establish a good relationship with the supplier because the paint companies are very dependent on them. Because of this we see the supplier power as high.

- **Supplier power: high**

8.2f. Conclusion

- Three of the five forces have a high threat, but the other two are low; industry rivalry is high because there are so many producers in the market and the market shares are relatively low, even for the market leader. In addition, the biggest producers offer very similar products, which makes it hard to differentiate one producer from another. The start-up costs for a company that wants to become a major player in this market are high. There are also very settled producers in the market and the buyers are generally loyal, something which results in a low threat of potential entrants. The buyer power and the supplier power are also high. Buyer power because there is such a big amount of producers to choose between and the switching costs are low. Supplier power is high because there are few suppliers and there are strict laws when handling the chemicals needed to produce paint. The power of substitutes, however, is low because we consider that existing buildings do not have many options for using substitutes if they have already painted earlier. On the basis of this we see the overall competitiveness of the industry as **medium-high**.

- **Competitiveness of the industry: medium-high**

9. List of Information Needed

Who?

- buys our products?
- makes the decision to buy the product?
- influences the decision to buy the product?

What?

- does the consumer buy?
- needs must be satisfied?
- are consumers' attitudes towards our product?
- social factors might influence the purchase decision?
- kind of access does the consumer have to paint?
- kind of follow-up does the consumer need?
  - Customer (post-purchase) satisfaction

Why?

- do consumers buy our brand?
  - Price, quality, etc.

How?

- is the purchase decision made?
  - Who assumes what role?
- is our product perceived by consumers?
- does the consumers' own image influence their decisions?

Where?

- do consumers go or look to buy the product?

When?

- do consumers buy? Any seasonality factors?
  - How often?

10. Primary Research Design

- Based on the information needed, we have chosen to use a qualitative research method. This is because the information we need is in-depth information and we do not think we will be able to get this through quantitative methods. We are dependent on getting thorough information on the different subjects and we think the qualitative method will be more beneficial for our research. In addition, we do not believe that we have a good enough overview of the industry to miss out on the possibilities of getting unexpected information, which qualitative methods can provide.

10.1. In-Depth Interviews

- The individuals we need to talk to are experts and business people, who have busy schedules and cannot be expected to have time for a focus group with several other people. Therefore we choose to conduct in-depth interviews because we believe this is the best tool to get the information we need.

10.2. Interview Objects

- We have chosen painters and potential clients as our interview objects.

    - Painters because we want to get more insight into the industry. We are especially interested in getting information about how the painters get in touch with their clients and how their relationship functions. We also believe that they can inform us regarding the industry rivalry and opinions they have towards the different brands. Through this we hope to get insight into what type of relationship they have with the paint producers as well.

    - Clients because we are going to find a new segment for Jotun and to be able to do this we need to gather information from the potential clients. This is especially regarding the information about the buying decision process because this will help us gather the data we have mentioned in *the list of information needed*.

11. Interview Results

11.1. Summary of the Interviews Conducted

11.1a. Painters

- All of the interviews with the painters have been conducted in Spanish so they might be influenced by some language issues.

Painter 1

- Sole proprietorship
- Paints: Small to medium businesses like bars, offices, clothing stores, etc.
- He gets in contact with his clients through his network of existing clients and acquaintances. He is often contacted by possible clients who has heard a recommendation of him.
- His customers are mainly interested in plastic paint, but there are also some who want oil paint.
- His impression is that clients are generally spending more time on the decision-making process regarding paint, but this is still not a very long process. He believes that this is a result of the recession. They are also very conscious about the duration, but perhaps not to the same degree as before.
- When it comes to who decides the paint, the customers often ask him for advice. He mainly recommends Titan, because it needs shorter time to dry and he prefers that, despite the higher price.
- He knows Titan, Norai, P33, but he has not heard of Jotun. His opinion is that all these three are acceptable paints, but Norai and P33 has a long drying-time.
- He has his own deals with his providers, but he does not buy directly from the producer. He buys the paint through a wholesaler, and gets discounts through this company.
- In general, he confirms our impression that small businesses are not realistically possible clients for Jotun. This is because they have short decision-making processes and generally do not care much about the duration or the environmental factors of the paint.

Painter 2

- Works for a small/medium-sized company with a total of six painters.
- They paint mostly businesses like office buildings, schools and pre-schools, apartment complexes, etc.
- To get in contact with possible customers they send out small flyers in people's mailboxes and get a lot of clients through their current ones. The company also sends in offers when businesses invite for tender (*Spanish: concurso, Norwegian: anbud*). The company has contracts with many of these clients, but the duration of the contracts differ from client to client.
- His impression is that the smaller clients are more concerned about price than the ones with bigger projects. The bigger clients have more demands they want to be fulfilled, and generally demand more from the painter.
- The company he works for have special deals with paint producers and they give discounts to their clients based on these deals.
- He comments that customers almost always ask him for advice regarding what paint they should use, and he tries to give them the best option for their needs. They normally need several types of paint and he has to give them specific offers adapted to this. He tries not to recommend any specific brand, but the one that benefits the customer most gives the customer. However, sometimes the company he works for can give discounts on special brands and this obviously influences the offer they can give to the client.
- He knows several brands, among them Titan, Monto, Norai and Akzo. He also recognizes the name Jotun when we ask him about it. He thinks it is a good quality brand with long duration, but he believes that the prices are rather steep.

Painter 3

- Works for a medium-sized paint company.
- Their clients are from the Barcelona area and they consist of restaurants, apartment complexes and private homes.
- They have an open office where customers can come and talk to them directly and in addition they use phone and e-mails. They also have a few company cars which they use for work purposes and these have the company logo and phone number on the side.
- For the apartment complexes the painters take a lot of decisions regarding which paint to use. They just receive some criteria like costs and which colors to use. While for the private homes they get much more specific details regarding which paint, colors and brand should be used. People often ask if he thinks this sounds good or if he can give them a better offer both on price and quality.
- He says that he knows a lot of brands, but the ones he uses the most is Titan and Monto.
- He has heard about Jotun, but does not know a lot of details about the brand.

11.1b. Schools

School 1: Private

Interview with the head of the maintenance department

Company Information

- This private school consists of four different buildings in Barcelona.
- Size: Building one and two: 13 000 m2, building three: 12 700 m2 and building four: 18 000 m2.
- Location: All the four buildings are located outside the city center.

Process

- The final decision maker is the head of the purchase department.
- They do some painting every year and the time of the year is usually around Easter or Christmas. Some minor painting work is also done at night throughout the year. February 2009 was the last time when *all* the buildings were painted.
- Computer rooms and the kitchen are painted every year because the paint here fades more quickly.
- The newest building has big areas that does not need paint, for instance the roof and some walls.

- In the painting process mainly one external company is involved. This external company does everything concerning the maintenance, including painting. They are also the ones who purchase the paint. There are twelve people from this company who solely work at this school.
- In some cases the school orders the paint directly from the producer. When they do this it is because they have a special deal with them, since Titan (the producer in question) is a sponsor of the school.

Budget

- Total maintenance: 200 000 euro
- Paint: 18 000 euro

- The most important criteria when choosing paint is that it is convenient, the follow-up is easy and it is relatively cheap.

"We will not choose the cheapest paint, but a paint with a "nice" price and good quality".

- They are pleased with their cooperation with their external company, but every year they evaluate how it is going and they decide if they want to renew the contract. If they decide to use a new company, the school invites for tender (*Spanish: concurso, Norwegian: anbud*).
- The person we talked to does not know about Jotun.

School 2: Public

Interview with the head of the maintenance department

Company Information

- Size: 5000 m2
- Location: Barcelona, city center

Process

- All the rooms of the school are being used equally, so in relation to renovation the whole school is normally being renovated at once.
- The last time they painted was one and a half years ago. But they did not renovate the whole school, only certain areas.
- They renovate no matter if the students are at school or not and at any time of the year.

- The leader of the maintenance department has the responsibility for the entire process, but he also has a team that assists him with the practical tasks. It is he who takes the final decision regarding what has to be done and what paint they should use.
- They usually do not use an external company of painters, because the maintenance team handles the entire process themselves.
- They buy the paint from the nearest paint store, because of the availability. They choose type of paint and color based on the market trends, because they are very concerned with being "fashionable". However, they do not care about the brand, only about the result.
- Both the price and coverage are important criteria when choosing paint. Still; since they paint rather often to keep up with the trends they place greater emphasis on the price than on the quality.

- Budget for renovation: 40 000 euro per year.
  - Their budget has been severely cut as an effect of the recession.

- The interview object knows about Jotun, but the first paint company he mentioned was Titan. He does not know the differences between Titan and Jotun regarding their image.

School 3: Private

Interview with the head of the maintenance department

Company Information

- Size: 10 000m2
- Location: Barcelona, city center

Process

- The school is normally painted every three months. They do not have any routines regarding what areas should be painted every time, but they paint what they have recognized is necessary.
- The main responsibility of the process lies with the maintenance department, but the final decisions are made by the school's administration.
- When painting they evaluate both the price and the quality as significant factors, but the price is the most important criteria.
- They hire painters through an external company. As of now they have had the same company for the last eleven years, since they are satisfied with them. They do not feel that there is anything that should be improved regarding the relationship with the paint company.

Budget

- Total maintenance: 70 000 euro
- Paint: 7000 euro

- He does not know about Jotun.

School 4: Private

Interview with the head of the maintenance department

Company Information

- Size: 12 000 m2
- Location: Barcelona, in the city center

Process

- They paint continuously, about 15-20 per cent of the school annually.
- It is the maintenance department that initiates the process to paint. Their suggestions are thereafter taken to the administration, who takes the final decision. This process takes three to four weeks.
- They hire an external company when they see the need for re-painting. This process starts with the school inviting for tender *(Spanish: concurso, Norwegian: anbud)*, that leads to annual contracts. The last time they painted they received eight offers from different companies, but they chose the same company as they have cooperated with for the last five years. This because they have always been satisfied with the results and that they are very flexible as to when they do the painting. Since the school lays great emphasis on having a short time-frame and have strict criteria as to dates and time the work can be done, they really appreciate this flexibility.

- When it comes to the relationship between price and quality they highlight the quality, or more specifically the coverage; how the final results look. However, they do feel that there has to be a proportional relationship between the two factors.
- They are also very concerned about using ecological and as natural paint as possible to prevent allergies and to protect the environment.

Budget:

- Renovating: 90 000 euro
- Paint: 12 000 euro

11.1c. Hospitals

Hospital 1: Private

Interview with the CEO and the general service manager

Company Information

- Size: 25 000 m2
- Location: A little outside the city center, but in a populated area.

Process

- The general service manager is the person in charge of the repainting of the hospital.
- They paint whenever they see the need. The CEO normally goes around with a checklist and takes notes on what needs to be repainted. They usually decide to paint because there are small damages to the walls and floors, and they emphasize that the hospital should always look as good as possible.
- The painting usually takes place during the spring.
- The people involved in the process are the CEO, the general service manager and the painter(s), but it is the general service manager who takes the final decisions regarding which paint and painters. The hospital usually employs a painter for several months to re-paint the areas that need it.

- They adjust their budget according to whether or not they are planning any major renovation projects that year. Still, they usually have a considerably high budget on renovation every year, because it is very important for them that the hospital is in good condition and that it looks good.
- Price is an important criteria when choosing paint, but not on the expense of the coverage and duration. They have a lot of alternatives, but usually they use Titan.
- They have not re-painted the whole hospital after they built it in 2007, but they used Titan then and have continued with that. They have painted some places only once after the start up, but other places have been re-painted several times. They do not take the brand into consideration when choosing paint, only coverage, duration, price and the type of paint. However, they have, as mentioned, only used Titan since they started because they have been pleased with that brand.
- If a paint producer were to give them an offer which includes a close relationship with the producer, who could help them through the process, this would definitely be interesting for them. This is especially because a lot of areas in a hospital need special paint. By having a dialog with the producer they may be able to come up with better solutions regarding paint and the chemicals used.
- When they paint critical areas of the hospital they need to close it down for a certain period, because people might inhale gases. They would prefer paint that does not release any such gases and they wish that such a product was present in the market.
- The only brand they know is Titan, and they have never heard about Jotun.

Hospital 2: Semi-private hospital

Interview with the two heads of the renovation department

Company Information

- Size: 44 000 m2
- Location: Barcelona close to the ocean

Process

- Almost all surfaces at this hospital needs some form of paint.
- There is a big maintenance department that handles everything that needs to be done at the hospital, also some of the decision-making. They conduct the entire buying decision process, with help from a painter who works permanently at the hospital.
- They have routines that include looking over the entire hospital every day to see if anything needs to be done.
- There is always painting going on at the hospital, but the big re-painting jobs are done during summer time. Then they close down entire units (one unit consists of approximately 20 rooms) and paint these one at a time. They use three weeks per unit and some years they paint several units as well. For these big jobs the final decision-maker on what paint to use and what external painters to hire is the head of purchasing.

- When they are doing the big renovations they have extra painters at the hospital. These are normally from a company that the hospital has a long-term agreement with. This company is also the one providing the paint, but it is the maintenance department that decides what paint should be used. This choice is often heavily affected by what discounts the company can get them. However, price is definitely not the most important factor for them. They only use ecological paint because it is better for both the environment and people. This paint has been provided by the producer Titan for at least ten years. They said that they have tried cheaper brands, but always went back to Titan, because they could not accept any lower quality than what Titan offers.
- The exterior parts of the buildings are badly affected by the weather conditions, especially the wind and the salt water. Therefore this paint needs to be extremely long-lasting and resistant.
- The ladies know of Titan and Monto, but no other brands. They have no special perceptions regarding the image of the brands, except for Titan being a quality producer of long-lasting, but not too expensive, paint.

- Because of restrictions we are not allowed to get their budget numbers, but after the recession hit, their renovation budget has been cut by ten per cent. They do not feel that this is affecting them too badly, and believe that they can still buy the paint they see as the best alternative.

Hospital 3: Public

Interview with the head of the maintenance department

Company Information

- Size: 40 000 m2
- Location: A little outside the city center, but in a populated area.

Process

- The chief of maintenance is the person in charge of re-painting and renovating the hospital. In addition to the maintenance department, the purchase department is also involved in the process.
- They do not paint too often, because of the economic situation they are in, but choose to postpone the painting as long as possible. The re-painting happens at the nearest vacation after recognizing the need.
- They always use an external painter for the job.

- When it comes to who takes the final decision it depends on how big the project is. If they have to re-paint big areas and it will be expensive, the purchase department takes the final decision. If the decision is regarding a smaller project, the maintenance department usually makes the final call.
- The most important for them when choosing paint is price. They have a lot of alternatives, but usually look for the cheapest option.
- They do not have the permission to give us the exact budget numbers, but they comment that it is not big. It has been cut significantly lately, due to the recession.

- When asked about which brands/producers of paint they know, they only mention Titan, and they have never heard of Jotun.

11.2. Buying Decision Process; Schools

1. Problem Recognition

   Many schools usually recognize a need when the paint starts to fade. Some schools have areas which they paint annually, this is because these areas get worn out faster and therefore the paint in these areas fade more quickly. However, we see a huge difference between private and public schools. The private schools are more concerned about their image and use a lot of resources to make the schools look good while the public schools have a higher threshold for re-painting/renovating. The reason for this is that the economy in Spain is in a recession and the public schools are forced to decrease their budget in a more severe way than the private.

2. Information Search

   After the schools recognize the need for re-painting, the decision-maker needs to be involved in the process. This decision-maker is often the head of the maintenance department. We see that it is normal for the schools to make contact with external companies at this point. Some of these companies already have a contract with the school, and some are temporarily hired when they are needed. These companies provide the schools with paint and painters. They are also the ones who decide what paint the schools should use, unless this is predetermined by the architect of the building. The external companies usually have a contract or an agreement with a paint producer, so in these cases it is normally predetermined which one is used. In a few cases the schools look for paint options themselves. In these cases they mostly go to their local paint store and it is the maintenance department that takes care of this search.

3. Evaluation of Alternatives

Even though we see in step two that schools normally use an external company to choose the paint, they usually have some criteria for the paint that is used. Duration, price and coverage are the three most common criteria. Most of the private schools usually want to pay extra for good quality (long-lasting and good coverage), as long as the price does not increase too much. In general they emphasize the importance of quality and price being in compliance with each other.

4. Purchase Decision

Schools normally do not buy the paint themselves. In our research we discovered that they usually go through an external company that carry out the actual purchase for them. In the cases where they buy the paint themselves the purchase is done at a local paint store by someone in the maintenance department. The schools that do this themselves argued that they felt this was quicker than going through an external firm.

5. Post Purchase Behavior

All the schools we have talked to have been more or less satisfied with the company they have used. Several of the schools we visited had long-term relationship with these external companies. These relationships are, as mentioned, reinforced by contracts in many of the cases. The schools do not seem to search for new collaborators if there is not a concrete problem with the one they have.

11.3. Buying Decision Process; Hospitals

1. Problem Recognition

   We have detected big differences between private and public hospitals regarding this step. Because private hospitals are more concerned about their perceived image, the need for re-painting is detected and handled faster than for the public hospitals. Because of the current recession, public hospitals do not have the economic resources to renovate as often as they normally would. Therefore they only renovate if they cannot continue working without dealing with the need for re-painting.

2. Information Search

   The information search for the hospitals is often done by the hospitals themselves. The majority of the hospitals we visited have their own painters who has full-time positions at the hospitals. Sometimes they contact external painters and these painters choose the paint, but most of the time they have deals with paint distributors. The information search is mostly conducted in the same way for both public and private hospitals, but they have different criteria as to what they are searching for.

3. Evaluation of Alternatives

In the occasions where hospitals choose the paint themselves we detected some differences between private and public hospitals. While the public hospitals emphasize the importance of the paint being affordable, the private are willing to pay more for quality (long-lasting and good coverage) and they wish to make minimal impact on the environment through their usage of paint. Here, as for schools, it is important that there is coherence between price and quality. An additional criteria for hospitals is that the paint should be allergy friendly.

4. Purchase Decision

If the hospitals purchase the paint themselves we found that they are most likely to pick the paint they are familiar with and know meet their criteria. In several of the interviews the interview objects mentioned Titan as the paint producer of their choice. However, if they delegate the purchase decision to a painter, they simply give him the criteria for what they expect from the paint and then trust the painter to choose the most suitable paint for them.

5. Post Purchase Behavior

All our interview objects seem to be satisfied with the paint and the company that they have been working with. They do not seem too willing to change and try another company instead. They do not see any proper reasons to do this when they are satisfied with the way it is. One of the hospitals had used Titan for many years, but a couple of years back they decided to try something cheaper. They told us that they were not satisfied with the results, so they went back to Titan again. On the other hand, we got positive response regarding the possibility of having a closer relationship with the paint producer directly, especially from a couple of the private hospitals.

12. Frame of Reference

12.1. What Businesses Are We In?

- Paint
- Maintenance
- Decoration
- Construction
- Renovation of ships/big boats

12.2. What Businesses Should We Be In?

- We should focus on the B2B market, mainly due to the advantages of economies of scale that the company benefits from in this market.
    - Maintenance, both of buildings and of ships
    - Decoration
    - Construction, but be careful here because this area is highly affected by the crisis. We wish to underline that when it comes to construction customers Jotun should be concerned with the consumers that still require high quality paint (resistant, long-lasting and good coverage) and are willing to pay for this extra quality.

12.3. What Businesses Should We Not Be In?

- The company should try to concentrate on the businesses that have not been affected too hard by the recession. As mentioned, they should be careful with for example the construction area. For instance we think that it would be very unwise to make contracts with entrepreneurial companies that build housing complexes for Spaniards. However, if these housing complexes are targeted towards tourists, the risk is not as big. We believe this is essential because of the prices Jotun have on their products. In addition these entrepreneurial companies often do not have long-term ownership of the apartments they build and therefore do not care too much about long-lasting and resistant paint

12.4. Logical Areas for Brand Growth

- Tourism: According to the web page “Select Property”, tourism is one of the continuously growing areas in the Spanish economy. It is one of the areas that are not very affected by the recession.

- Private Organizations:
  - Building complexes owned/inhabited by foreigners.
  - Businesses within the private sector

12.5. Identify Potential Substitute Products and Other Competitive Threats

12.5a. Potential Substitutes

- Tapestry
- Stone
- Brick wall
- Glass
- Construction products that do not need paint, for instance metal and other products that are delivered with a non-painted surface.

12.5b. Competitive Threats

- New and cheap technology (development of materials) that makes coatings and paint unnecessary. Because paint is considered a rather affordable maintenance material, it could be dangerous for the producers if a new and different technology is developed within the same price category.
- Higher productivity amongst competitors that makes them able to sell their high-quality products at lower prices.
- The fact that Jotun is not a Spanish company. Customers favoring domestic products, because of "nationalism". This might be enhanced by the recession because people could try to get the country "back on its feet". On the other hand this could also be diminished because of the recession, since people might buy the product with most benefits for themselves at the best price.

12.6. Mission

"Growth and profitability by exceeding customer expectations"

- Out of this we can see that the most important factor for Jotun is to meet and exceed the customer expectations. They do not only want to cover the basic customer needs, but to give the customers something more than what they expect; not only the product, but a good experience.

12.7. Risk-Profitability Binomial

- The risk profitability binomial is affected by several factors, but there are a few that are especially important for the paint industry and which we will highlight here:

- First of all there are a huge number of producers in the industry. This creates strong competition among the players and is clearly a factor that increases the risk. On the other hand it is important to note that the paint industry is an old industry with a relatively stable environment. So even though there are quite a few competitors, we do not consider the industry to be affected severely by continuous changes and fluctuations. In addition, all the players seem to have a lot of knowledge about how to work in the industry. As for Jotun, we see that it is a relatively small company compared to the market shares of the biggest competitors in Spain. However, if we see the company on a global scale, it is certainly not small. It has a great deal of support, both in the form of economic resources and know-how through its parent company. The company is also working in a stable geographical area, both when we consider the political and economical situation, despite the current crisis. On the basis of these observations we conclude that the risk profitability binomial in this case is at a **medium** rate.

12.8. Corporate Objectives

- Jotun's corporate objectives are divided into people, position, profitability and innovation.
- People - *To meet customer needs we must have the right business processes. It is essential to develop or recruit competence and skills to perform these processes.* They see the importance in having a skilled and competent workforce as well as a structured systematic process in order to meet customer needs in the best possible way.
- Position - *A strong position gives us the opportunity to influence and drive the markets. We are committed to being a leading player in the markets we select.* Jotun has chosen to focus on different market segments and try to be the market leader in these segments instead of trying to cover the whole market in one operation.
- Profitability - *All actions should either bring value to the customers or reduce costs for Jotun. Profitability is proof that we are creating value.* Jotun focuses on creating value for the customer and reducing costs both in benefit for the customer and Jotun itself.
- Innovation - *To grow we must develop new product- and marketing concepts, and improve our work processes. Our customers should feel that we drive the markets and innovate.* The company also focuses on innovation and to keep up with the technology development of the industry, with the goal of being ahead of the competitors.

13. Target Market

13.1. Who?

- Hospitals
  - Private
  - ~~Public~~

- Schools
  - Private
  - ~~Public~~

- According to the article “Austerity adds to Spain’s jobless woes” in The Wall Street Journal’s web-edition, Spain has planned a 37 billion euro budget cut in 2012. They need to reduce their budget deficit next year from 8.5 per cent of GDP to 3 per cent. Because of the economic situation, the public sector is going to be badly affected. In addition to this, we found in our primary research that the public hospitals already have experienced severe budget cuts. With the economical situation in mind and the conclusions from the in-depth interviews we see it as most profitable to focus further on with the private hospitals and private schools.

13.2. What?

- Maintenance
- Image

13.3. How?

- Maintenance:
  - Paint
  - Tapestry
  - Stone/Brick wall
  - Glass
- Image:
  - Paint
  - Cars
  - Luxury products
  - Furniture
  - Environmentally friendly products and procedures
  - CSR activities

- There are many substitutes that can satisfy these needs, but for Jotun the way to cover them is with paint.

14. Macro Segments

- On the basis of our findings we have chosen to continue our research with "private hospitals" instead of "private schools". This is mainly because of the size of their painting budgets and the decision-making processes. We see that private hospitals have a stricter and more formal decision-making process regarding paint and renovation, and they also want a closer relationship with the producer to support this process. From the interviews we see that many schools have long-term contracts with the distributors and it can therefore be difficult for Jotun to replace these relationships. On the other hand we see from the interviews conducted that private hospitals are more open regarding who they work with, and have more suitable demands for the benefits Jotun can offer. Private hospitals want to have the newest and best products available on the market. In regards to all of this, we believe that targeting private hospitals fits more with Jotun's corporate objectives, especially regarding Innovation;

"To grow we must develop new product and marketing concepts, and improve our work process. Our customers should feel that we drive the markets and innovate".

14.1. Macro Segment 1

- Who: Private hospitals
- What: Image
- How: Paint

14.2. Macro Segment 2

- Who: Private hospitals
- What: Maintenance
- How: Paint

14.3. ~~Macro Segment 3~~

- ~~Who: Private schools~~
- ~~What: Image~~
- ~~How: Paint~~

14.4. ~~Macro Segment 4~~

- ~~Who: Private schools~~
- ~~What: Maintenance/renovation~~
- ~~How: Paint~~

15. Micro Segment Variables

- The micro segments have been developed as a result of the characteristics of the different interview objects in our research. Our two “whats” are maintenance and image and therefore they are the factors at the centre of our micro segments. The more specific variables chosen for the micro segments were selected because we consider them the most significant ones with the majority of the interview objects.

Maintenance

- Size
- Location

Image

- Price-sensitivity
- Environmentally consciousness

15.1. Maintenance

	Size in Terms of Value	
Location	Small	Big
Exposed to harsh weather conditions	**Small and Resistant:** Exposed for harsh weather conditions. Because of their size they will not need a big amount of paint. Need extra weather-resistant, long-lasting quality on the paint so it can stand against harsh weather conditions.	**High-Consuming Exposed:** Exposed for harsh weather conditions. Will buy bigger amounts of paint and might expect discounts. They are big consumers who will also appreciate the extra service and close relationship to their supplier. Need extra weather-resistant, long-lasting quality on the paint so it can stand against harsh weather conditions.
Located in the middle of a city or other places where the weather conditions are not that tough	**Low-Consuming:** Will not necessarily need long-lasting and resistant paint. Because of their size they are not attractive for a company that want to sell a lot of high-quality paint. Might be in a block - may not have four outside walls.	**Cost-Conscious:** Will buy bigger amounts of paint and might expect discounts or buy the cheapest option. May not care as much about long-lasting paint on the facade, and may have tendencies to select paint based mainly on price.

- Small in terms of value: < 4 000 euro annually worth when renovating
- Big in terms of value: > 4 000 euro annually worth when renovating

15.2. Image

	Price-Sensitive	
Environmentally Conscious	Little	Very
Very	**Thorough:** Will try to get as much as possible for as little as possible. Usually have a low paint budget and are therefore likely to negotiate a lot. Prefer ecological paint and spend a considerable amount of time finding the best alternative. Might not choose the most long-lasting paint because of the price.	**Big Spenders:** Want the best alternative available on the market. Will expect certificate or proof for high standard and environmentally friendly products that justifies the price. Willing to pay more to get the best alternative. Would want long-lasting paint to avoid painting too often and they will most likely also want good coverage to support their image. Will probably also require thorough after-service.
Little	**Price-Conscious:** Are likely to choose the cheapest alternative. Might not care too much about the paint's resistance or how long it will last. On the other hand they might see the benefits of not painting as often and feel that it will be cheaper in the long run with long-lasting paint, this will however not be their main focus.	**Impulsive Buyers:** Want the most convenient paint and they do not appreciate benefits like environmentally friendliness and long-lasting paint. Willing to pay extra for convenience. Short decision-making process. Likely to carry out spontaneous purchases.

16. Solution Life Cycle

16.1. Maintenance

- We have chosen to split the solution life cycle into two different phases, based on the macro segments. We have evaluated the maintenance solution to be in the **shake-out phase** because we see this industry as becoming more concentrated. This is due to the fact that the biggest competitors are superior in size in comparison to the great majority. The most important factor for us in determining this is the market segmentation that is seen among consumers and producers. Through our research we see clear signs of distributors having very segmented target groups and consumers being very aware of what type of products they need and what suits their demands. They repeatedly commented what brand they used and specifically why. The reasons they gave showed us that these products were clearly segmented towards this group of consumers. It also seems that creating brand loyalty and keeping the clients faithful is very important. According to class material we will have to consider the following when creating the marketing mix for this segment:
    - Product differentiation
    - Lower prices
    - Intensive distribution
    - Communicating desired positioning

16.2. Image

- When it comes to the macro segment containing image as the *"what"* we see the most suitable solution life cycle phase to be the **slow growth phase.** This because there are clearly very established competitors in this industry and also a very widespread technology. Even though we have no numbers that show us the reduced growth of sales we see clear signs of substitutes entering the market. This is much because of the *green trend*, which has proven to be extremely important for some of the consumers we have been in touch with. Companies trying to be ahead in this macro segment need to have the objective of creating a strong brand image, since this has proven to be rather important with the consumers. Even though the consumers do not know that many brands, those who care about environmental factors seem to check for this when they look for alternatives. Since we have placed the macro segment with image in the slow growth phase, this is what we have to consider when creating the marketing mix according to the class material:
    - Improve the solution to focus on perceptual dimensions
    - Intensify distribution
    - Adjust prices
    - Communication aimed to create brand image

17. Strategic Key Success Factors and Distinctive Competencies

	Key Success Factors	Needed Distinctive Competence	Is It a Distinctive Competence for Our Company?
MS 1 Who: Private hospitals What: Image How: Paint	1. Innovation 2. Good coverage on their paint 3. Environmentally friendly products 4. Brand awareness among the consumers 5. Have loyal customers and long-lasting customer relationships	1. R&D department 2. Suppliers that provide sufficient chemicals/supplies and that Jotun has a consistent and focused production. 3. Suppliers and testing + achieving environmental certificates 4. An efficient marketing department 5. Have a big enough and well-functioning sales force	1. Yes 2. Yes 3. Yes 4. Could improve 5. Yes, partially
MS 2 Who: Private hospitals What: Maintenance How: Paint	1. Have long-lasting and good coverage paint. 2. Brand awareness among the consumers. 3. Have loyal customers and long-lasting customer relationships	1. Suppliers that provide sufficient chemicals/supplies and a consistent and focused production. 2. An efficient marketing department. 3. Have a big enough and well-functioning sales force	1. Yes 2. Could improve 3. Yes, partially

17.1. Macro Segment 1

1. Innovation

   It is important for Jotun to focus on innovation because this segment is concerned with their image and how environmentally friendly the paint they use is. This segment will most likely demand new products, continuous development and enhancement of the existing products. We believe that Jotun has the necessary R&D department, and they also put a lot of focus on the development of these types of products.

2. Good Coverage

   Good coverage is essential for a group of consumers who care about their image. They will use this paint as a way of showing that they care about the environment, but also that they have certain high standards. If the paint flakes off or fades after a short while this image might be damaged.

3. Environmentally Friendly Products

   The products need to be certified as environmentally friendly, and the consumers will perhaps also demand that the products have been "green" throughout the whole production process. This means that Jotun needs to set certain demands towards their suppliers.

4. <u>Brand Awareness</u>

   It is important for Jotun that consumers know about their environmentally friendly products. To achieve this they need a marketing department that implements efficient advertising campaigns to enhance Jotun's brand awareness. We do not have any doubts about the competence of the marketing department at Jotun. However, we would like to see a heavier emphasis on campaigns directed towards enhancing brand awareness, for instance their presence at industry fairs.

5. <u>Customer Relationship</u>

   These consumers most likely have a thorough decision-making process and also care a lot about the extra benefits they get when buying something. They will look for service, and hopefully a long-term relationship with their supplier, if they are pleased. It is therefore essential for Jotun to have a sales force that is able to fulfill all the needs and expectations of these customers. We believe the company has this, but if they are to get a lot of new clients they will most likely be forced to hire new people to keep up with the demand.

17.2. Macro Segment 2

1. Long-Lasting Paint

   The clients who care mostly for paint as a pure maintenance product will put a lot of emphasis on how long the paint lasts before they have to re-paint. For Jotun this implies that they have to have certain demands to their suppliers if they are to make sufficiently long-lasting paint. We believe that Jotun does not have a problem getting this from their suppliers.

2. Brand Awareness

   As for the previous macro segment, brand awareness is also important here, but in a different way. These consumers need to be aware of the fact that Jotun can provide them with the long-lasting paint that they want. To provide this knowledge among consumers, the marketing department of the company must implement marketing efforts. Like for the other macro segment, we do not doubt their competence, but we would also here like to see more focus on campaigns designed for this exact purpose.

3. Customer Relationship

   These are high-demanding consumers who can be very loyal if they find something they are pleased with. This was relatively consistent among consumers we interviewed in our research; when they were pleased with the product and service they got they kept using that specific supplier. Creating this loyalty will be very much up to the sales force and the offers they are able to give to the customers. As for the other macro segment, we believe that this sales force will need to be enlarged if Jotun is to acquire new long-term clients.

18. Strategic SWOT Analysis

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
The Recession in Spain	There will be a need in the market for more maintenance	There will be built fewer new buildings	May affect the competitors much harder than Jotun, because Jotun is a Norwegian company and have their parent company as support	Even though Jotun have had sales growth the last years, they still have had negative profit	Focus on maintenance, not new building

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Harsh weather conditions for some consumers	Sell long-lasting paint with better resistance against the weather	Consumers use the paint in a ”wrong” way (for example on an already damaged wall), which lowers the resistance time. Can lead to that the consumer perceives the product as bad	The company has paint that can withstand hard weather conditions	Spanish consumers are not aware that Jotun is a quality brand, in the same way that consumers are in other countries where Jotun is present	Advertising campaign designed to enhance to increase brand awareness

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Many small competitors (market shares)	Small competitors have small product portfolios. Jotun can offer consumers a wider range of products	Tendencies to specializing in this industry and consumers seem to adjust to this	Jotun number 13 in Spain, measured in market shares. Have a strong challenger position	Low brand awareness among the consumers	Advertising campaign designed to enhance to increase brand awareness

JOTUN

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Few big competitors (market shares)	Grow to become a stronger challenger for the strongest competitors	The bigger competitors push Jotun out of the market	Have a similar wide product portfolio, and have qualities to be able to compete on the highest level	Relatively low market share compared to the strongest competitors and low brand awareness among the consumers	Improve brand awareness among consumers. Keep up with the industry trends and development

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Environ-mental trend	Offer a wide range of environmentally friendly products, and keep innovating to get the products even better and more environmentally friendly	Competitors may get better products. Consumers may use other products instead of paint – because they are more environmentally friendly	Have green certificates and long experience with environ-mentally friendly products	Hard to control if the suppliers are environmentally friendly in their production processes. Limited how environmentally friendly paint can be with the current chemicals used in production	R&D focusing on environmental factors

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Many consumers are stuck in old patterns	Development of new solutions that work better for the consumers, and get them out of the old patterns	Consumers do not consider changing their old habits and might be hard to convince them to change	Competent sales force that can establish *relationship selling*	Jotun do not have a strong enough brand/ name to sell to the consumers	Further development and expansion of the sales force

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Consumers have a pragmatic buying process	Simplify the buying process for the consumers through selling package solutions	Consumers that are stuck in old patterns might be resistant to change. In the primary research, clients commented that they are not used to having contact directly with the producers and see this as abnormal	Jotun has control over the whole forward process and by this avoids having disloyal distributors. Has direct contact and relationship with the users	Jotun does not have its own retail shops, which might lower the availability for the consumers	Further development and expansion of the marketing efforts, to increase the availability and visibility

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Culture differences between the Jotun group and the Spanish market	Use the Norwegian brand as strength to get an image of high quality	Spanish consumers may favor Spanish products and companies	Jotun has high experience with different cultures. Their core values are very integrated and maintained in the company and these include cultural understanding	Internal conflicts may arise because of the many different origins within the company	Continue the organized corporation across regions and divisions

JOTUN

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
The paint industry contains many strict laws and regulations	Be ahead of the laws and emphasize their Norwegian origin	Stricter laws and regulations. May lead to more expensive production process and sudden great expenses	The parent company is based in Norway where the regulations usually are stricter than the European standards, which gives Jotun an edge in other countries	Follow the Norwegian standards, so they spend more money on this than necessary in Spain	Innovate and pay attention to the politics regarding these laws to be ahead and be flexible to change to avoid sudden costs

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
The biggest competitors in the market have a significant market share compared to Jotun	Focus on niche markets that do not get their needs sufficiently covered by other companies or brands	Might be hard to compete, and grow. Especially because their competitors are much more integrated in the Spanish market and have their own retail shops	Even though Jotun is not that known in Spain, they have a significant market share compared to the rest of the paint industry	Jotun may have a too wide product portfolio compared to their market share in Spain. The biggest competitors have retail stores – which Jotun does not. Low brand awareness compared to the biggest competitors	Focus on the sales force and establish a loyal customer base. Advertising campaign designed to enhance to increase brand awareness

FACT	OPPORTUNITY	THREAT	STRENGTH	WEAKNESS	TO DO
Consumers have a strong loyalty to their distributor	Establish new long-lasting relationships with many consumers in specific segments	Consumers might be resistant to change and might already have contracts with competitors or other distributors	Jotun has a strong relationship building culture in their company with basis and support in their One-Source Solution system	Jotun's present customer base is not very big, compared to the biggest competitors'	Put big resources in the sales force and emphasize the relationship building aspects

19. Attractiveness of the Paint Industry

- Industry rivalry - Threat: **High**
- Potential entrants - Threat: **Low**
- Buyer power - Power: **High**
- Substitutes - Threat: **Low**
- Supplier - Power: **High**

-> Competitiveness of the industry: **Medium-high**

- As we see here the competitiveness of the industry is medium-high. If we also include the results we got from the risk profitability binomial, which were that the profitability and risk were at a medium rate, we get the overall attractiveness of the industry. With an industry with rather high competitiveness and medium profitability it does not seem like a very attractive place to be doing business. On the other hand, with all the very small players in the market we see the attractiveness for the bigger competitors as higher than what it can seem like at first. Especially for such a company as Jotun Ibérica, with strong support from their global parent company this is not an unattainable challenge to overcome. Already when they came to Spain they had a wide product portfolio and could afford a certain degree of promotional efforts, unlike the situation for businesses that are newly started up. With all this in mind we have concluded that the industry attractiveness is at a **medium** rate.

20. Development Strategy

20.1. Competitive Strategy

- When it comes to the competitive strategy we have chosen **differentiation**. This was a rather easy choice for us because cost leadership is not really a possibility for Jotun. In differentiation there are distinctive qualities to the product which are significant to the buyer and which create something that is perceived as being unique compared to competitor's products. We feel that this is the right way to go for Jotun with the qualities that are linked with their products. These qualities are for instance long-lasting and good coverage. In addition, and perhaps most important, are the customer relationships and the easy solutions that Jotun can offer their clients and which do not seem to exist in today's market. In fact, the key success factors mentioned earlier are what we see as the reasons for why we should go for differentiation. They can separate Jotun from the competitors because the company should excel at these factors and therefore differentiate themselves. We see the key success factors of environmentally friendly products, long-lasting products and customer relationship systems as extremely important. This seems to be essential to big parts of the market and Jotun has a good advantage on these factors already, for instance through the One-Source Solution, the long-lasting paint and the efforts when it comes to development of "green" paint. If the company uses these factors correctly they will be able to take a differentiated strategy from their competitors.

20.2. Growth Strategy

- When it comes to the choice of growth strategy we have decided that **vertical integration** in the form of **forward integration** would be the best alternative for Jotun. We believe that Jotun has a problem at this point with not being in the consumers top-of-mind. If they wish to grow in the market of private hospitals, which have decision-making processes that highly rely on the buyer's top-of-mind, they need to change this. The aim of Jotun should be to make sure that the consumers are directly in contact with someone controlled by the company and who promotes the image of Jotun. Forward integration will not only help Jotun get closer to their customers and into their top-of-mind, but it will also help them to have a better understanding of the needs of the consumers. The One Source Solution that Jotun is working on to enhance the relationships with their clients would be an important step in such a process of forward integration. Through this system they will be the ones sitting on the information of how their customers behave and what needs they have. This will help them to a great degree, almost as if we were talking about a consumer industry and the company was to create their own outlets. As we have pointed out in the SWOT-analysis, almost all of the biggest competitors have their own retail stores where their industrial customers buy their products. This is something which obviously has enabled them to be among the brands that consumers think about when considering what product to use. On the other hand, this is not what we recommend for Jotun, because we believe that personal contact and their own sales force (travelling to the client, where he or she is) will do the job even better.

20.3. Competitive Attitude

- To decide what competitive attitude we want Jotun to take it is important for us to base this on a realistic assessment of the forces at work in the industry and to see this in combination with the defined objectives of the company. The industry's competitiveness has been set as medium-high and this is important to keep in mind when we have to decide this competitive attitude. It will also be very influenced by where Jotun stands in the market; the market share of the company.

- The most important thing for us when choosing the competitive attitude for Jotun was the objectives that were defined under the mission of the company. The objective which is assigned under *"position"* is for Jotun to have a strong position that can give them the opportunity to influence and drive the markets. They are also committed to being a leading player in the markets they select. This leads us to conclude that the **challenger attitude** is the most suitable for Jotun. Even though the competitiveness of the industry is rather high we see the strengths that Jotun have as sufficient for them to take a shot at the market leader position, at least in the long run. We would also like to highlight that the company has the 13th highest market share and holds a good challenger position. This we can also say on the basis of the fact that they have the same product portfolio as the biggest competitors and they already have a leader position in other countries they are present in. This also seems to be their long-run objective on a global scale, something we believe is very important to be in line with.

21. Segmentation Strategy; Differentiated Segmentation Strategy

- We believe it is very important for Jotun to take into consideration the micro segments that were chosen. This is mostly because of the solution life cycles they are in, as neither the shake-out phase nor the slow growth phase is really suitable for an undifferentiated strategy. We have therefore chosen to use a differentiated segmentation strategy**.** We looked at several possible solutions for the segmentation strategy, but the most relevant ones were the differentiated and the focus strategy. The focus strategy, according to Lambin, means that the firm is concentrating its resources on the needs of a single segment or on a few segments, adopting a specialist strategy. This relies heavily on the specialization benefits which Jotun to a certain degree have. However, we believe that this focus might be too heavy according to the objectives on a long-term scale; for Jotun to gain more market share. We also believe that the differentiation strategy is better at covering these objectives because here the company will adopt a full market coverage strategy, but with tailor-made programs for each segment. In addition, it is important to note that some of the micro segments we have identified for Jotun have few, but very important, differences. This especially goes for the product itself and the message that has to be communicated about what the special benefits of the products are. This strategy is obviously more demanding in terms of resources, but Jotun has a strong global economy and their sales in Spain have been increasing the last ten years, at least up until 2009.

- According to Solberg in “Internasjonal markedsføring” this strategy is also applicable in situations where the market is rather saturated or very competitive. This is definitely the case as we have seen both in the Porter-analysis and also in both of the solution life cycles. Solberg also comments that it is reasonable to use a differentiated strategy when the consumers have rather specific needs, like the high need for long-lasting paint within our micro-segments, or the need for a close and well-functioning relationship with the producer. This also goes for when the company has unique capabilities to fulfill these needs, which are not necessarily easy to copy. When it comes to these unique capabilities we are especially thinking about Jotun’s customer relationship system and the One-Source Solution, where they store the information about their customers and use this to develop the relationship.

21.1. Choice of Micro Segments

- We have chosen two micro segments that we want to continue with and develop strategies for. These two are *High-Consuming Exposed* and *Big Spenders*. The reason for this is that both of these fulfill the criteria we mentioned as necessary for the potential segments. We do not believe that the other micro segments mentioned fulfill enough of the criteria to be relevant as possible target segments.

21.1a. Micro Segment 1

- The *High-Consuming Exposed* segment is chosen because it fits the criteria of being big enough in terms of value. In addition they are exposed to harsh weather conditions so they are likely to be in need of long-lasting and resistant paint. Jotun, which is a paint company focusing on quality, will therefore be able to provide this segment with a solution that satisfies their need. This segment is in addition to big consumers also interested in long term relationships and the extra services that can be provided from this. We believe Jotun's One-Source Solution system will be very attractive in regard to the extra services this segment desires.

21.1b. Micro Segment 2

- We have chosen *Big Spender* as the second micro segment for Jotun. The hospitals in this segment are not very concerned about the price, but very environmentally conscious. In general they have a very thorough decision-making process and demand proof of the products' minimal impact on the environment. Through their decision-making process they spend a lot of time looking for the best alternative the market has to offer. This is very appropriate as a segment for Jotun because they can take advantage of the One-Source Solution to develop the relationship with this group of customers. Since this group of consumers also would appreciate a lot of follow-up from their supplier of paint they will benefit further from Jotun's system than many of the micro segments we have excluded.

21.2. The Criteria for Efficient Segmentation

- When it comes to which micro segments we have chosen we have put a lot of importance into how well the different possible micro segments fulfill the four criteria for efficient segmentation in Lambin's book "Market-Driven Management". These are; differential response, adequate size, measurability and accessibility.

- Differential response - *The segments must be different in terms of their sensitivity to one or several marketing variables under the control of the firm.* We will go deeper into the different variables later, but an important difference that we can see already is the need for long duration on the paint. The *High-Consuming Exposed* segment needs the long duration because of the harsh weather conditions, while the *Big Spender* segment needs it because they are environmentally conscious.

- Adequate size - *Identified segments must represent a market potential large enough to justify developing a specific marketing strategy.* We do not have the exact numbers of potential customers in our segments, but according to the website Paginas Amarillas there are 939 private hospitals in Spain. Of course, not all of these meet our segment criteria, but based on our research and the budget numbers we have got from our interview subjects, we have concluded that the chosen segments are capable of meeting the requirements; 4 000 euro annually on paint.

- Measurability - *We must be able to measure the variables we use in our segmentation*. The variables we chose earlier in our micro segmentation analysis are:

  High-Consuming Exposed
  - Size in terms of value - This is a very measurable variable, like we have mentioned earlier Jotun requires segments to have a size in terms of value of more than 4 000 euro annually on paint.
  - Exposed to harsh weather conditions - This variable is also measurable in the sense that we can know their location and from that we can know if they are exposed to harsh weather. For instance; if they are close to the sea or not.

  Big Spenders
  - Environmentally conscious - This variable is less measurable, but we can still sort out the segments on the basis of their environmental consciousness. This is harder to measure, but based on our interviews it seems like most of the private hospitals are more or less conscious about their image, and this includes the environmental factor.
  - Price-sensitivity - This variable is also hard to measure. However, because of the budget numbers we have seen, we would say that we have been able to measure, more or less, how price-sensitive the different hospitals are, although we cannot rely a hundred per cent on this.

- Accessibility - *This means the degree to which a market segment can be reached through a unique marketing program.* The options here are controlled coverage or customer self-selection. For Jotun the natural selection here is **controlled coverage**, since the company themselves should control who they are targeting and reaching out to. From the process we have gone through earlier on, we have seen that the micro segments chosen probably will have to be targeted specifically. This is due to the fact that most consumers in the market are rather set in their ways and will need convincing and specially targeted marketing mixes to become Jotun's customers. We believe that the accessibility for the two micro segments we have chosen is good, and that Jotun is very likely to be able to reach them through the unique marketing programs we will recommend for them.

- We believe that the two micro segments we have chosen adequately fulfill all these criteria and we will therefore develop positioning strategy and marketing mixes for them.

22. Positioning Strategy

- The positioning strategy should be chosen with the basis in what we decided in the previous strategic options. We chose a differentiated strategy in the generic strategy and also in the segmentation strategy. We could say that the positioning we are now about to do, is the operational way to implement these strategies. We have therefore, naturally, found two different positioning strategies for the micro segments.

22.1. High-Consuming Exposed

- For our first micro segment, *High-Consuming Exposed*, we have three main factors to consider when deciding which strategic position we want them to take; who are the target consumer, the main benefits they will get from our products and how we want Jotun to be perceived by this group of consumers. When it comes to the target consumer-factor this is quite clear. These are big, private hospitals (spend more than 4 000 euro annually on paint) which are situated in such a way that they are affected by harsh weather conditions. They buy in large quantum and might expect discounts and they appreciate extra service and a close relationship with their supplier. They are loyal customers once they find a product that fulfills their expectations. The main benefits they will get will fulfill their needs because Jotun can give them very good service and a close relationship. They will also benefit hugely from the very important factor that the company is able to provide them with the long-lasting paint they need. These are both factors that are not very easy for competitors to copy and which therefore differentiate Jotun from the other possible providers. We want this micro segment to perceive Jotun as the best deal they can get because of the long-lasting paint Jotun can give them, in combination with the service and relationship they also will receive. So even though these products are not the cheapest on the market, the potential customers will believe that this is a good deal since they get more than just the physical product. The positioning statement that we have derived from this is:

These big and private hospitals demand mainly two things; long-lasting paint and extra service from their paint provider and these are the benefits that Jotun will give them. They will perceive the products of Jotun as a good deal, because even though the price is medium-high, they will value the extra service as an essential part of the product they buy.

22.2. Big Spenders

- The consumers in this micro segment are big and private hospitals in demand of the highest standards when it comes to environmentally friendly paint. They want the very best alternative that is available in the market, but they will most likely demand certificates to justify the price they have to pay. They will also demand follow-up because they see this as essential according to the price. The main benefits that Jotun can provide them with, will fulfill these demands, but also differentiate Jotun's products from the competitors'. These benefits are that the products are environmentally friendly and have certificates of this, in combination with the very well-developed customer relationship system. Through the efforts of the marketing department and the sales force we want these consumers to perceive these products on the upper scale when it comes to their minimal impact on the environment. They should be aware of the approval Jotun has got through environmental certificates. We also want them to be aware of the close relationships Jotun tries to create with their clients. This gives us the following positioning statement:

The consumers in this category are highly environmentally conscious, big and private hospitals, who have a very demanding and thorough buying-decision process. They will benefit from the factors differentiating Jotun; environmentally friendly paint and a well-developed customer relationship system, which will be perceived as the best the market has to offer, at a fair price.

- If we see these positioning statements in context with the segmentation analysis we made earlier, these correlate. This goes both for the description of the micro segments, but is also in accordance with the segmentation strategy that we chose; a differentiated strategy. This will be the basis for the choices we will make for the marketing program.

23. Marketing Program

- According to the results from the previous strategic analysis the marketing mix is split into two; one for each of the micro segments we have chosen. Very important to the both of them are the results we got from the solution life cycle analysis, where there were given suggestions for the marketing programs.

23.1. High-Consuming Exposed

- This micro segment has been placed in the shake-out life cycle phase. In general this means that there should be product differentiation, lower prices, intensive distribution and one should be communicating desired positioning. We have taken this into consideration when deciding on the marketing mix, but we have made some adjustments. This is because everything is not appropriate according to the positioning and the segmentation strategies we have come up with.

23.1a. Product

- The most important factors concerning the product for the segment, *High-Consuming Exposed*, are the quality elements and the expanded product as we have mentioned earlier. The actual product, the paint, is long-lasting and provides good coverage. By long-lasting, for this segment, we mean that the product is resistant to harsh weather conditions. These are the main qualities we want Jotun to focus on when it comes to the actual product and gives Jotun its product uniqueness and superiority to competing products. When it comes to the expanded product, Jotun is very focused on giving the consumers an experience, not just a product. They have the One-Source Solution System to have the best possible systematic contact with the consumers and to give them a good follow-up during the whole process. This is something that distinguishes them from the competitors, as we have found earlier in our analysis of competitors and our primary research. From this we realized that the competitors use distributors to reach their customers and our target segment does not, as of now, have directly contact with the producers. This makes the product Jotun is offering both unique and differentiated.

23.1b. Place

- We have decided that the forward integration is the best growth option for Jotun. As said before, this is mainly because of Jotun's problem of not being in the consumers' top-of-mind. This type of growth strategy usually recommends to open their own retail shops, but in Jotuns case we do not recommend to do that. Instead we advise them to approach the consumers and close contracts with new clients through their sales force without using distributors. It is very important that their sales force is sufficient in order to meet the clients' needs. We will come back to the sales force in the promotion part.

23.1c. Price

- We want to refer to the positioning to determine the price. Here we decided that the general price level should be average to high in comparison with the competitors. There will be premium brands that are more expensive, but mostly competitors will lie lower on both price and duration. However, it is also important to notice that the price will be an instrument for Jotun to stimulate demand, but it will also be a factor in determining the company's long-term profitability. On the basis of this, in combination with the positioning strategy, we would recommend Jotun to follow a **flexible pricing strategy.** This is because they need to adapt their prices to the different customers, regarding volume purchased and if it is the initial purchase or a repurchase. Under flexible pricing strategy we would recommend Jotun to follow **pricing administration strategy**. This allows them to adjust prices regarding different conditions, quantities and types of paint the customer purchases. This also makes it possible for them to adjust their prices according to conditions of payment. We think this is the best option for Jotun since we assume that their target segment would be interested in buying a huge quantity of paint and therefore most likely will request discounts. It is important that Jotun follows a strategy that allows them to adjust the price so discounts can reward the customers whose buying behavior contributes the cost reduction for Jotun, for instance in the case of quantity discounts.

23.1d. Promotion

- We decided on forward integration in the development strategy and for Jotun this means that they do not depend on media advertising in any form when it comes to both of our micro segments. Media advertising is very expensive and will most likely not reach the consumers that we need to get in contact with. We would first recommend Jotun to create brand awareness in the target segment, this because in our primary research we found that Jotun has low brand awareness. To enhance brand awareness, we propose Jotun to attend exhibitions where their target segments also are attendances. By having stands in these exhibitions they will be able to create brand recognition and brand recall so the target segments will be able to identify Jotun at the point of sale (for Jotun point of sale will mean when the consumers are approached by the sales force). This will help induce the buyers to select the brand once the need has been experienced. By attending these exhibitions, they will also be in direct contact with their target segments and we see possibilities for creating and maintaining customer relationships, which is an important key success factor for both segments.

- Regarding how Jotun should sell their products, we recommend Jotun to use relationship selling, this because in the B2B market we are often talking about big purchases and therefore it might be safer for the customers to talk to a person. They will prefer to use face-to-face communication and establish long-lasting relationships. We think this can be beneficial both for Jotun and for the consumers. Jotun will establish regular customers that they can rely on to buy their products and the consumers can rely on good "quality", follow-up and safe delivery. In this segment an important factor regarding the product quality is the duration of the paint. It is important that the sales force is aware of this and point out these qualities when they approach new clients. In short; we want the sales force to communicate the desired positioning of the products, like mentioned in the solution life cycle. We also believe that the effect of word-of-mouth will help in the marketing process, because the new and different relationship process will create industry talk among consumers.

- It is extremely important for Jotun that they follow the five steps of Lambin (2000) for setting up and maintaining a relationship selling process.

  1. *Systematic search for information.* We have already done this during this research process, but it is essential for the company to remember that this is a permanent activity.
  2. *Selecting a target.* This has also been done to a great degree from our research, but for prospective customers the company should focus on to what extent the firm can be useful for the potential customers.
  3. *Convincing good customers.* This is a key to the start of the selling process itself. If Jotun is to be successful here they have to have a well-qualified sales force that gets sufficient training and follow-up.
  4. *Building the relationship.* For the kind of relationship Jotun wants through their One-Source Solution the existence of trust is a key factor. This requires both a building process, but also careful follow-up from the company's side.
  5. *Maintaining and reinforcing the relationship*. This includes more of the follow-up process from the company's side. Maintaining the relationship is particularly based on personalized service achieved through better understanding of customers' needs, something which the relationship system that Jotun has will help with. If Jotun achieves this they will most likely acquire relationships with great loyalty on the customer's side, and also create higher switching costs for their consumers.

- We also want Jotun to have a clear vision of how they should organize their sales force. Here we see the **customer-based organization** as the very best option. This is adopted when customers' needs are very different and require specific abilities, which is the case for both of our micro segments. Customers can be classified by size or their method of buying, but we see the method of buying as the most beneficial one since all the consumers in these two micro segments have a limited size already. Even though we realize that this can be rather costly, we believe that Jotun will benefit from the advantages of the fact that each sales force is specialized and acquires a lot of knowledge about the specific clients' needs.

23.2. Big Spenders

- This micro segment was placed in the slow growth life cycle phase. This means that the company should focus on improving the solution to focus on perceptual dimensions, intensify distribution, adjust prices and communication aimed to create brand image.

23.2a. Product

- The biggest difference for the product offered to this segment is concerning the core product. Since the *Big Spenders* will expect certificates on environmentally friendly products, the core product for this segment should contain the benefit "environmentally friendly". After analyzing Jotun's biggest competitors, we know that many of these also emphasize that their products are environmentally friendly, and several of them have a wide range of certificates proving that their products possess this quality. It can therefore be hard for Jotun to differentiate their core products from their competitors. On the other hand, if we see their core products along with their extended products, which are the same as in the segment *High-Consuming Exposed*, we believe they will be able to offer a product that is, also here, unique and differentiated.

23.2b. Place

- When it comes to place we will follow the same strategies for both micro segments, since the most important factor here is that we need to have the forward integration. This will be obtained by the use of the big sales force to create long-lasting relationships with the clients, instead of using distributors.

23.2c. Price

- We wish to use the same pricing for both of the micro segments. This is because we placed them on the same level in the positioning strategy, and we also believe that for the customers the needs regarding the price are the same. They will both require a flexible pricing policy, but the *Big Spender* segment will most likely not have the same requirements for discounting according to the micro segmentation analysis.

23.2d. Promotion

- We have chosen partly the same promotional strategy in both our target segments because we see the similar need for face-to-face communication in both of these customer groups. This includes the fairs and the relationship selling that we explained under the previous promotional strategy. However, the message that should be communicated is very different. To improve brand awareness among consumers we also here see Jotun's presence with stands at industry fairs as the best option to target the right consumers. This is necessary to create the basis for when the sales force make contact with the consumers and try to sell the products to them. The message that all parts of the promotional strategy should communicate to this segment is that these products will fulfill their need for environmentally friendly paint in a superior matter. They should also believe that they will receive the best service that the market has to offer through Jotun's system for customer relationship; an impression that obviously should be reinforced after they have tried out the products and the service.

24. Budget

Estimated Costs for the Marketing Mix

- Exhibition price
  6 000 euro per exhibition
  (http://www.eurogeo5.org/img/precios_exposicion_eurogeo5_ingles.pdf, 2012)

- Sales force
  Last year Jotun focused on a new segment, 4 and 5 stars hotels. This segment consist of 1875 hotels (we got this number from Jotun). Our potential clients, private hospitals are fewer than the number of potential clients last year.

- We recommend Jotun to increase the sales force with 50 per cent in comparison with the extra needed sales force needed for the hotel segment. We do not have enough information to be able to estimate this cost.

25. Evaluation

- This is a list of all do's and don'ts we have found during the writing of this bachelor thesis.

25.1. Do’s

- Forge alliances with someone who speaks the foreign language - in our case Spanish. We got help from some of our friends to translate the recordings of the interviews we had to have in Spanish. Even though some things might have been lost because the interview could not be such a loose conversation as it should have been, we got the most essential information.

- Do the work in separate steps. The process felt shorter and easier to follow because it was split up into smaller parts. However, we felt it was extremely important to get an overview of the whole process before we began so that we could understand why we did what we did.

- Do the work together as a group. The quality of the results have been much higher when we worked together.

- Have at least a week to do the final adjustments of the content. We thought we were finished very early, but we needed this time to remove the final bugs.

- In the final weeks of the projects it is really intense, so we tried to make it into a positive experience through breaks, food and good humor.

- Create agendas for each day, that makes it easier to complete all the tasks that need to be done.

25.2. Don'ts

- We did not think about interviewing some of Jotun's existing customers to hear their opinion of the relationship with their paint producer. This is definitely something we should have done to understand the relationship between Jotun and its clients better.

- We started contacting possible interview objects too late. The process of contacting them and making appointments took more time than expected and this resulted in fewer interviews than we had hoped for.

- Do not take for granted that the people you want to talk to speak English. We did consider this, but we were not aware of how few in the relevant groups that could speak English.

- We should have thought more closely through in what order we conducted the interviews. The painters should have been done first so that we got the complete picture of the industry before we started interviewing potential clients.

- If we had more time we would have tried to conduct quantitative research to make our results quantifiable. Even though we have confidence in our results this would have enforced them further.

- Do not split up the work between the group members too much. Results have proven to be of higher quality when they where developed with all group members participated
- Do not underestimate the the total amount of work needed.

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